

MINUTES OF THE REGULAR MEETING OF THE COMMISSION PUBLIC
UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON
July 13, 2010

The regular meeting of the Commission of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, on July 13, 2010.

The meeting was called to order at 4:33 PM. Those Commissioners in attendance were: Jim Cook, President; Robbie Robertson, Vice President; and Al Littlefield, Secretary. Also in attendance were: Dave Johnson, General Manager; Christine Blake, Auditor; Larry Saunders, Engineering Supervisor; Don DeLeeuw, Engineering Technician; Dave Ostergaard, Operations Manager; Kevin Tate, Community Relations Manager; Jamie Klunder, Human Resources Generalist; Jones Atterberry, District 3 Commissioner Candidate; Pete Gilbert, Attorney; and Kim Carpenter, Recording Secretary

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for July 13, 2010:

- a. Approval of Minutes - Commission Meeting 6/29/10
- b. Approval of Vouchers
No. 2345-Voucher Nos. 82301-82338, Payroll Warrant Nos. 24952-24965 (\$221,987.15) 7/6/10
No. 2346-Voucher Nos. 82339-82389 (\$201,473.25) 7/13/10

The motion passed.

Under Old Business, Manager Johnson presented the Manager's Report which included the following items:

Judy Reservoir - Mount Vernon Transmission Pipeline Project

To minimize change orders, the Contractor agreed to wait until the end of the project address changes at that time. The project is completed except for punchlist items. All negotiations between the Contractor, the City of Mount Vernon and the District have been completed and Change Order No. 1 is ready for approval. The District's portion of the project will be approximately \$70,000.00 under the Contractor's bid. Wetlands monitoring will be required for up to five years at an estimated cost to the District of approximately \$30,000.

Gilligan Creek 2009 Winter Storm Hazard Mitigation Work

The Contractor requested a delayed project start from June 21 to August 9 due to the availability of the excavated mounted rock drill. Manager Johnson stated that the District received a letter from FEMA wanting the project completed by year's end and have extended the deadline to January 2011. Commissioner Robertson asked if the work is being paid for by FEMA and insurance; Auditor Blake replied that 87.5% of the remediation work is covered by FEMA and the remainder will be paid by the District, approximately \$300,000.

Customer Service/Community Relations

Customer Service and District front-line staff will be taking part in conflict de-escalation training on July 22. The training is presented by the Dispute Resolution Center. The focus will be recognizing conflict styles and enabling staff to deal with difficult encounters more smoothly and effectively.

Skagit County Special Use Permitting Process Update

District staff has completed preliminary research regarding similar public utility permit processes with Snohomish and Whatcom counties. District staff has completed preliminary discussion with Skagit County Planning and Development staff regarding issues of concern with the existing special use permit process. District staff is currently working on a preliminary draft of a position/white Paper identifying District concerns with the current special use permit process as well as suggesting alternative processes to accommodate special use permitting concerns. The District is coordinating with Skagit County staff and officials to schedule a follow up meeting regarding the special use permit process. Discussion ensued regarding the Special Use Permitting issue and the Commission stressed that a priority be placed on meeting with the County regardless of completion of the white paper.

PSE Interim Service Agreement

Manager Johnson initiated discussion regarding the draft interim service agreement with PSE. He stated that the District currently has a temporary service agreement in place and an interim agreement is being discussed to go between temporary and a permanent power solution. Manager Johnson stated that he requested a cost estimate from PSE to extend the new circuit from Norlum substation to the South Skagit Highway and that cost would be \$834,474. Commissioner Robertson stated he had previously requested opening a UTC file to provide documentation that the District had not ruled out the provision of future power from alternate sources such as Whatcom PUD or BPA. He stated he was not in favor of moving forward with this interim agreement if it locks the District in to service from PSE. Discussion ensued regarding the temporary agreement and potential interim agreement, including alternate power sources, operation of pumps, demand charges, mitigation of impacts under certain conditions, language under item 2 in the draft agreement which appears to lock PSE in as the permanent power provider, and the UTC file request. Commissioner Robertson asked if the District needed to reconstruct its intention to keep its options open relative to the selection of power service could that file be provided; Attorney Gilbert and Manager Johnson replied they were sure that information could be provided from the District's records. Commissioner Cook stated Manager Johnson requested discussion of this issue, but no action is being requested at today's meeting.

Under Old Business, Manager Johnson initiated discussion regarding the Fire Hydrant Maintenance Issue postponed from the meeting of June 29. Manager Johnson reviewed the Lane vs. City of Seattle agreement and the impact on the City of Tacoma. Discussion ensued regarding various aspects of the issue, including cost and maintenance responsibility, hydrant ownership, franchise agreements, public safety issues of non-operational hydrants, potential concept of adding hydrant maintenance fees to District's basic charge rates and whether or not that charge would be discriminatory. Manager Johnson stated that no follow-up discussions have been scheduled. He stated that HDR Engineering has indicated that the general position regarding hydrant ownership is that most utilities own the hydrants attached to their water systems and this District is an anomaly.

Under New Business, the Commission scheduled the Financial Policy Discussion Work Session for 4:30 PM on Tuesday, July 20.

Under New Business, Manager Johnson presented Change Order No. 1 to the Judy Reservoir-Mount Vernon Pipeline Phase I Project with Shoreline Construction. Engineering Supervisor Saunders reviewed the proposed change order and stated that the Contractor agreed to forego change orders during construction until the end of the project and compile changes into one order. He stated that the proposed change order includes seven items for the District and five items for the City of Mount Vernon and that the District will be reimbursed by the City for their portion. Discussion ensued regarding various aspects of the project and proposed change order. Commissioner Littlefield moved to approve Change Order No. 1 to the Judy Reservoir-Mount Vernon Pipeline Phase I Project with Shoreline Construction in the amount of \$27,143.59. The motion passed.

Under New Business, Manager Johnson presented a request for concurrence from Puget Sound Energy (PSE) regarding proposed text amendments to the Settlement Agreement for the Baker River Hydroelectric Project. He stated that the proposed changes are to relocate and reconfigure the new powerhouse at Lower Baker as follows: (1) change the location of the proposed powerhouse from a location upstream of the existing powerhouse to an area immediately downstream, (2) change from two 750 cfs units to a single 1,500 cfs unit, and (3) install a 1,500 cfs bypass valve. Manager Johnson stated that he has prepared a draft letter of concurrence and has informed Kim Lane, PSE, that the item will be placed on the July 27 agenda for action. Discussion ensued regarding the proposed request. Attorney Gilbert stated that the proposal is a language change and the District can either concur, ignore or protest. Commissioner Cook suggested contacting the Swinomish and Upper Skagit Tribes regarding their response; Attorney Gilbert suggested contacting the Cities of Mount Vernon and Burlington.

Under Miscellaneous, Manager Johnson stated that Commission notebooks include the invitation for Todd Boss' retirement party and copies of a letter thanking the City of Mount Vernon for the Mount Vernon Police Department security support.

Under Audience Comments, Jones Atterberry, District 3 Commissioner Candidate, expressed a need for caution regarding the PSE contract and agreed with Commission Robertson about not signing an agreement that locks the District into service with PSE. Mr. Atterberry stated he did not see how much water can be pumped through each pump in the draft agreement and recommended not signing a contract until that information is known.

Under Commissioner Comments, Commissioner Littlefield gave a brief summary of his attendance at the recent WA PUD Association (WPUDA) reform issue meeting. Commissioner Robertson also gave a brief overview of the reform issue, stating that a decision needs to be made as to whether WPUDA members are in favor of abrogating authority and control of Commissioners and turning that control over to Managers. Commissioner Littlefield stated he believes the answer will be no based on the discussion he has heard at recent meetings. Commissioner Cook stated he was not in favor of giving up authority. Commissioner Robertson stated that appears to be the consensus. The Commission indicated they were not opposed to having managers on the executive committee.

At this time, President Cook recessed the regular meeting to go into executive session to discuss potential litigation regarding COMgroup (Mount Vernon to Concrete Broadband Connectivity Project); Kennedy/Jenks Consultants (Skagit River Diversion Pump Station Project) and a personnel complaint for an approximate total duration of 60 minutes. The meeting was recessed at 6:04 PM.

The executive session convened at 6:09 PM.

President Cook reconvened the regular meeting of the Commission at 7:17 PM.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of July 13, 2010 was adjourned at 7:18 PM.

ATTEST

Jim Cook, President

Al Littlefield, Secretary

Robbie Robertson, Vice President